-1 C 4680-1

January, 1982

Why Fuel Stove Makers Have Its Indies Turned On

Southland Unveils Expensive 'Tri-Combo'

Big Lumber Accelerates Its Offer For Small Dealers

NPN

National P...

A PUBLICATION FOR MARKETING MAN...

00920014ACQUSCUNGR452ESO
SRI ACQUISITIONS 01-52
ACQU EDITOR NFR 06/82 96
CONGRESSIONAL INFO SERVIC
4520 EAST-WEST HWY STE 80
WASHINGTON DC 20014

Can You Afford Not To?

High Cost of Gearing Up

Cover illustration by Bradley H. Clark

On the Cover

Gasoline marketing has taken a quantum leap from the prosaic equipment designs of the past half century into a bold, new world of space-age electronics with uninhibited design and application. An evolution/revolution is under way in the petroleum equipment industry, and for no meager allowance. The futuristic concepts here today are bringing with them costly price tags for the marketer inclined to sophistication and efficiency. Page 40.

Super Pumpers Soar

New high volume, self-service diesel and gasoline "fuel stops" are springing up all over the country, giving the conventional truckstop business a costly run for its money. Some call this the hottest trend since self-service convenience store pumpers were introduced. These so-called "super pumpers" boast throughput of 700,000 gal. a month with profits equally as impressive. But beware, these outlets are not foolproof and the cost of construction is staggering. Page 44.

Big Changes Brewing

Two trends long feared by many oil marketers became reality when Amoco announced it would begin terminal pricing for jobbers in the Midwest and West and withdraw its brand from 11 states. Though the company indicated it would match the elimination of hauling allowances with lower product prices, distributors nevertheless find the development disquieting in the dollar-sign sense. Page 31.

A Kingly Combination

Southland Corp., the kingpin of convenience stores, recently opened its first "tri-combo"—three separate company profit centers sharing a common site. A 7-Eleven outlet, a Chief Auto Parts store and the big volume Super 7 gasoline operation all share the same address. It is a project that has the competition buzzing. Page 47.

NPN January, 1982 Vol. 74, No.1

Regional News

Rockies: The plight of two jobbers when their supplier pulls out....20
West Coast: Smart money management has 'high survival value'....21
Midwest: Sun grabs Fina's largest jobber in supplier scramble....23
East Coast : Tarheel jobber finds bucks in junk....25
South: Some forecast an end to the supply glut, but prices remain weak....29

General News

Amoco's terminal pricing move and 11-state pullout presages the same by others 31
Federal gasoline tax increase is proposed; could mean further demand cuts...32
Reagan administration will propose natural gas decontrol....33
House committee says big oil dominates U.S. industry....33
SIGMA could become the industry's most influential marketing group....33
Marketing representatives differ on the impact of field conditions....34
Foreign oil product prices range widely from one hemisphere to the other....36
Senate may vote on refiner retail divorcement legislation....37
Congress appears ready to pass standby oil controls....37
Chevron assumes DOE funding in novel overcharge settlement....37
Convictions of Florida price fixers are upheld....37
API is working on an industry lexicon....37
Octane averages rise for leaded gasoline, fall on unleaded....58

Cover Report

High cost of gearing up: Can you afford not to?....40

Truckstops

Giant volumes, hair-thin margins, big-ticket 'fuel stops' take over....44

Convenience Stores

Southland brings Super 7 to Texas; Part of innovative 'Tri-Combo'....47

Management

How smart use of big-time tactics has paid off for former consignee....48

Operations & Equipment

Equipment Leasing: Considered a favorable option by some marketers....50
API ponders tank leak strike forces....51

Motor Fuels

Gasohol: A rose of another name for Sweeney Oil Co. in Chicago....52

Transportation

How to cut fleet costs using basic techniques....55

Opinion Features

As I See It—'Dealers' Real Aim Is Jobber Divorcement'
by Roger Dreyer, Ohio Petroleum Marketers Assn....62
Legal Tips—'Georgia Law Restricting Jobber Sales Is Upheld'
by Sam Borenkind, Attorney-At-Law....65
Tax Corner—'IRS Short Circuits Auto Deduction Option'
by Irving Blackman, Tax Consultant....66

Departments

About Oil People....67
Ahead of the News....9
Catching Up....11
Classified....71
Late News....10
Letters & Comment....16
Looking Things Over....7
Marketplace....12
O&E Briefs....61
Product Briefs....70
Trends....12

National Petroleum News (NPN) (ISSN 0149-5267) is published monthly by National Petroleum News, Inc., a subsidiary of Hunter Publishing Co., 950 Lee Street, Des Plaines, Illinois 60016.

© National Petroleum News, Inc.

Second class postage paid at Des Plaines, Illinois and additional mailing offices.

Subscriptions are solicited only from executive, management and supervisory personnel at the supplier and wholesale level of oil marketing, engaged in the distribution, merchandising, transportation and storage of petroleum, TBA products, and convenience-store items. Position, company and segment of industry must be indicated on subscription orders.

U.S. subscription rate for individuals in the field of publication, $34.50 per year; Canada, $41.95 (US$) per year. All others in U.S., $45.00 per year; Canada, $50.00 (US$) per year. Single copies $4 in the U.S., $5 in Canada. All other foreign subscriptions, $70.00 (US$) per year. Mid-June Factbook issue, $15 in the U.S.; $20 in Canada. The publisher reserves the right to accept or reject any subscriptions. (R) Title registered in U.S. patent office. Send change of address notice, correspondence regarding subscription service or subscription orders to: Circulation Department, NATIONAL PETROLEUM NEWS, 950 Lee Street, Des Plaines, Illinois 60016. Subscribers should notify Circulation Department promptly of any change of address, giving old as well as new address. If possible, enclose an address label from a recent issue of the magazine. Or call (312) 296-0770, 9 a.m. to 4 p.m. CST. Allow one to two months for change to become effective.

Postmasters: Send form 3579 to NATIONAL PETROLEUM NEWS, 950 Lee Street, Des Plaines, Illinois 60016.

• TRENDS

Gasohol No Longer the 'Mom and Apple Pie' Product It Was

Fashioning a silk purse from a corn cob, marketers of all sizes from White Plains to Des Moines are repositioning their alcohol blended fuels to stress premium quality over the "Motherland" concept. A number of operators who formerly marketed "gasohol" as a supply extender and home-grown alternative to oil imports, apparently are succeeding by marketing the 90% gasoline/10% ethyl alcohol blend as a "super unleaded with ethanol."

The new emphasis is on the high octane and performance qualities of alcohol blended fuels which, with a 90-octane rating, can be considered a premium octane cure for engine ping and run-on, say advocates. Such blended fuels, they say, should be regarded and promoted as a substitute for super unleaded grades of gasoline, which are priced anywhere from 4¢ to 20¢ gal. over unleaded regular.

Repositioning the alcohol blended fuel as a premium unleaded product has been a developing trend since the product glut reinvigorated marketplace competition and brought gasoline prices tumbling—leaving gasohol blends high priced and unattractive as an alternative in times of plentiful supplies. Where the 4¢ gal. federal sales tax exemption on gasohol may not have been enough to make the alcohol blend competitive with unleaded gasoline being sold on the same island, the product appeared doomed.

For example, gasohol sales had slumped to 8% or 9% of total motor fuel volumes at stations operated by District Petroleum, Sandusky, Ohio, before the company decided to rename the blended product rather than scrap it altogether. "I peeled the corn cobs off the pumps and put on new decals," says vice president Scott Stipp, and began promoting the product as a super unleaded with ethanol. The three-month-old change has netted a gain in sales share to 16%-17% of total volumes, says Stipp, who prices the alcohol blend 2¢ gal. above unleaded regular gasoline.

The economics of pitching gasohol as a premium unleaded motor fuel have been penciled out in state after state by Archer Daniels Midland (ADM). The biggest fuel-grade alcohol producer turned its own marketing thrust 180 degrees last year to recast fuel-alcohol blends as a premium-quality product.

In District Petroleum's home state of Ohio, for example, ADM claims that gasohol, when marketed as a super unleaded-type product, actually costs the marketer 4.3¢ gal. less than 90/91.5-octane super unleaded gasoline, while commanding super unleaded's higher retail price and heftier margins. The cost factors for a gallon of 90-octane super unleaded with ethanol break out this way, according to ADM: 95.40¢ for 90% of the average rack price of unleaded gasoline; 17.8¢ for 10% of the average ethanol cost; 6.8¢ state tax, and no federal tax. Total cost: $1.20 gal. This compares with an average wholesale price in Ohio of $1.243 for super unleaded gasoline (4¢ gal. federal tax included), says ADM.

A Michigan jobber, Gallup-Silkworth Co., Ann Arbor, which direct operates 29 self-serve convenience store units, replaced its gasohol with the super unleaded/ethanol approach, for a 10% across-the-board sales increase. Sales of the alcohol blend, according to owner Chuck Gallup, have been running as high as 25% at some locations, with the average station selling between 17% and 20% super unleaded with ethanol.

"Our available conventional super unleaded cost us 5¢ gal. over and above regular unleaded," ADM quotes Gallup as saying. "With this conventional super we would have to price it 6¢ to 7¢ over unleaded to turn a profit. Our customers weren't receptive to the higher cost, but the ethanol allowed us to offer the high octane performance fuel at a lower price while still making greater margins."

Other wholesalers and retail-chain operators report similar results after promoting the fuel-alcohol blend for its premium-grade qualities [see page 52].

In fact, re-educating the public on the benefits of gasohol may not be the toughest nut to crack in reviving sales of the product. J.D. Streett, a large wholesaler and retailer based in St. Louis which operates in six states, has switched the marketing thrust on fuel-alcohol blends. The super unleaded with ethanol approach is an "improvement over gasohol," says company president Newell Baker. "People try it, like it and come back for more."

A bigger problem lies in marketing the product at the wholesale level—"purely a matter of educating the dealer, not the consumer," says J.D. Streett's marketing VP Hugh Watson. "The consumer will buy. The dealer is sometimes reluctant to get away from what he has always had.

"If we can ever get the dealer educated to the advantages of both the octane benefit and, in some states, the price advantage, we will further our [sales] of ethanol-based product to our wholesale units."

—Ron Landry

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

OCTOBER	Gasoline (all types)	Leaded Regular	Unleaded Regular	Leaded Premium
U.S. City Avg.	$1.353	$1.299	$1.371	$1.457
Regions:				
Northeast	1.382	1.333	1.390	1.443
North Central	1.336	1.293	1.359	1.424
South	1.323	1.269	1.340	NA
West	1.404	1.335	1.426	1.473

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	11/27/81	11/28/80
Gasoline (total)	244,264	253,748
Gasoline (unleaded*)	96,048	92,909
Kerosine **	52,543	57,237
Distillates	196,201	217,609
Residual	81,329	91,373

**Included in gasoline total.*
***Includes jet fuel.*
Source: American Petroleum Institute.

In Caracas, 13¢ Gal. Is No Mirage

Pssst. Want some gasoline at 13¢ gal. for leaded regular? And 31¢ gal. for leaded premium? Including taxes. It's available for the asking. All you have to know is where to go.

Here's the info. All you have to do is wheel the old buggy (or tanktruck) up to any pump in Caracas, Venezuela. That city, according to the Energy Information Administration (EIA) in Washington, had the cheapest gasoline in the world at the beginning of 1981.

Venezuela's gasoline was even lower in price than that of Saudi Arabia, which is the world's largest exporter of crude oil. In Ras Tamura, where the big seagoing tankers line up by the hundreds the year around, the pump price for regular was 23¢ gal., and two pennies more for premium at the beginning of the year.

The EIA report, issued recently, shows there were at least six other countries where regular-grade gasoline sold for less than $1 gal., including taxes. They were Burma, 42¢; Mexico, 45¢; Ecuador, 60¢ Peru, 69¢; Bolivia, 76¢; Colombia, 86¢; Indonesia, 91¢ and Canada, 98¢.

European prices were much higher. They ranged from $2.26 and $2.33 in Luxembourg and West Germany, respectively, to $3.25 in Portugal and $3.28 in Italy. Premium grades ran 5¢ to 10¢ more per gal. Parisians paid $2.82 and Londoners, $2.51. European taxes are much higher, however. For example, taxes total $1.54 for regular grade in Paris and $1.23 in London.

U.S. prices, in comparison, were $1.24 gal. for regular, and $1.34 for premium leaded. But taxes averaged out to only about 12¢ gal., the government report noted.

As might be expected, distillates for space heating varied all over the lot, too. They ran as high as $1.95 gal. in the Republic of South Africa to as little as 6¢ gal. in Saudi Arabia. Europeans paid around $1.30 gal., while U.S. consumers paid an average $1.05 last January. Canadians were much luckier, however, paying only 61¢ gal.

Resid varied extensively, too, from as little as a $1.68 bbl. in Venezuela to $55.52 bbl. in Paraguay. That would average out to 4¢ gal. in Caracas to $1.32 in Asunción.

The U.S. average for resid at the beginning of the year was $31.35 bbl. By way of comparison, Canada was $18.90 bbl. and Mexico, $2.45 bbl. Most of Europe ranged from $30 to $40 bbl., with the highest being Yugoslavia at $53 bbl. NPN

(U.S. dollars per gal. for gasoline, dollars per bbl. for fuel oils)

	January, 1981				July, 1980			
	Gasoline		Fuel Oil		Gasoline		Fuel Oil	
	Reg.	Prem.	Dist.	Resid.	Reg.	Prem.	Dist.	Resid.
WESTERN HEMISPHERE								
Argentina	$2.15	$2.63	$32.87	$25.45	$1.57	$1.89	NR	$17.32
Bolivia	.76	.91	31.91	25.44	.76	.91	31.91	25.44
Brazil	2.52	NR	NR	24.73	3.23	NR	NR	16.86
Canada	.98	1.06	25.42	18.90	.81	.89	21.95	14.22
Chile	1.74	2.00	NR	28.64	1.74	2.22	NR	35.92
Colombia	.86	1.03	NR	36.18	.72	.89	NR	NR
Dominican Republic	NR	2.39	39.67	22.82	NR	2.39	39.67	22.82
Ecuador	.60	.80	NR	11.76	.19	.73	NR	3.56
El Salvador	2.49	2.56	NR	NR	NR	NR	NR	NR
Jamaica	2.12	2.17	53.26	38.39	2.12	2.17	NR	27.97
Mexico	.45	1.13	NR	2.45	.46	.66	NR	2.42
Panama Republic	2.04	2.17	NR	NR	1.98	2.11	NR	NR
Paraguay	3.61	4.51	68.77	55.52	3.00	3.75	46.62	NR
Peru	.69	.84	15.73	10.41	.75	.90	16.90	11.36
United States	1.24	1.34	43.93	31.35	1.22	1.31	35.28	20.58
Uruguay	3.31	4.11	NR	32.93	3.18	3.97	NR	31.61
Venezuela	.13	.31	2.44	1.68	.13	.31	2.44	2.44
WESTERN EUROPE								
Austria	2.46	2.65	48.62	35.78	2.58	2.79	NR	29.73
Belgium	2.91	3.00	53.84	43.28	3.17	3.24	55.62	34.05
Denmark	3.09	3.13	43.41	NR	3.30	3.34	NR	NR
Finland	3.03	3.15	53.58	34.78	3.01	3.13	49.80	31.33
France	2.82	2.99	32.12	35.29	2.97	3.17	NR	NR
Germany, West	2.33	2.43	NR	34.33	2.46	2.57	NR	32.00
Greece	2.58	2.91	54.23	29.16	2.85	3.21	59.79	32.16
Ireland	2.50	2.54	54.05	38.85	2.73	2.77	56.60	36.59
Italy	3.28	3.38	32.88	35.98	3.08	3.15	35.09	30.27
Luxembourg	2.26	2.34	54.78	44.30	2.48	2.54	55.55	30.76
Netherlands	2.65	2.71	47.95	35.00	2.89	2.96	52.07	30.33
Norway	2.93	2.99	NR	NR	2.87	2.93	NR	NR
Portugal	3.25	3.54	49.00	25.24	3.13	3.45	NR	22.91
Spain	2.76	3.11	NR	36.04	2.81	3.24	NR	27.82
Sweden	2.75	2.80	53.59	47.88	2.64	2.70	53.17	40.57
Switzerland	2.56	2.58	46.03	38.78	2.79	2.81	47.70	31.32
Turkey	NR	NR	NR	NR	2.09	2.28	42.80	37.71
United Kingdom	2.51	2.52	50.53	36.01	2.60	2.65	48.64	33.84
Yugoslavia	2.88	3.12	55.52	53.00	2.63	2.91	44.19	42.63
MIDDLE EAST								
Iran	1.62	2.16	4.08	NR	.54	.68	NR	NR
Israel	2.92	3.07	49.10	31.75	2.49	2.64	39.91	26.93
Lebanon	NR	NR	NR	NR	NR	1.22	NR	19.74
Saudi Arabia	.23	.25	NR	NR	.23	.25	NR	NR
AFRICA								
Ethiopia	1.38	1.65	NR	NR	1.38	1.65	NR	NR
Ghana	3.12	3.42	58.02	43.39	2.10	2.25	NR	NR
Kenya	2.34	2.66	41.92	33.64	2.45	2.78	47.02	35.21
Morocco	2.93	3.10	NR	29.30	3.45	3.65	NR	34.54
South Africa, Republic of	2.53	2.59	81.70	44.27	2.48	2.54	79.98	43.34
Tunisia	2.07	2.20	14.28	12.24	NR	NR	NR	NR
ASIA-PACIFIC								
Australia	1.57	1.87	51.50	NR	1.51	1.63	NR	NR
Burma	.42	NR	NR	NR	.45	NR	NR	NR
India	NR	NR	NR	NR	2.49	2.57	44.36	NR
Indonesia	91	1.33	11.40	11.40	.91	1.33	11.44	11.44
Japan	2.74	2.93	52.47	44.52	2.72	2.89	53.48	44.80
Korea	3.92	5.07	44.12	42.85	NR	NR	NR	NR
Pakistan	1.91	2.11	NR	18.96	1.70	1.99	NR	18.96
Philippines	2.35	2.45	37.20	37.20	2.18	2.28	35.18	32.63
Singapore	1.71	1.85	NR	NR	1.71	1.85	NR	NR
Sri Lanka	NR	1.98	39.47	31.76	NR	2.01	NR	25.44
Thailand	2.13	2.22	36.97	34.99	1.71	1.81	29.61	28.05

NR—Not Reported. Source: Energy Information Administration, 1980 International Energy Annual (issued Oct. 81). Gasoline and fuel oil prices are for the capitals of each country except the U.S., which is an average. All gasoline prices are retails, including taxes and customs duties. For prior data, see NPN Factbook, Mid-June 1981, P103.

Giant Volumes, Hair-Thin Margins, Big-Ticket 'Fuel Stops' Take Over

They cost an awful lot of money to build and the risks are high. But those very high volume self-serve diesel and gasoline "fuel stops" springing up around the country now show promise of becoming the hottest thing in motor fuel marketing since self-serve pumpers and multipump convenience stores.

The successful ones, say sources who have them, are showing a better percentage of return on investment than the pumpers or stores.

Some of the industry's high-flying independents have been captivated for some time by the gallonage and cash-flow potential of such units. Now, some refiner-marketers are catching the fever.

Typically, such units offer several lanes of self-serve diesel dispensers for truckers as well as 10 or 12 self-serve gasoline hoses for motorists. They also have a small convenience food store which may or may not offer fast foods.

By Marvin Reid
Editor-in-Chief

A typical unit costs $700,000 and up to build, including land. Since this is roughly twice the investment required for a pumper or super-size C-store, many marketers have been slow to jump aboard the bandwagon.

But most of those who have are ecstatic over typical gallonage and payout.

A typical ground-up "fuel stop," say these sources, will pump 700,000 gal. of diesel and gasoline per month. It will do another $35,000 in store sales.

At these volume levels, a unit operating on a 4¢ gal. rack-to-retail fuel margin will show a gross profit of $28,000 a month on fuel sales alone. If the average markup on store sales is 35%, the store will produce another $12,250, or a total monthly gross of $40,250.

The units are operated much like a pumper or multipump C-store with salaried cashiers. Due to their volume of business, however, some figure monthly expenses at around $25,000.

This leaves a net profit of about $15,250 per month or $183,000 in annual pre-tax net income.

On a percentage basis, point out the experts, this means a return on investment (ROI) of more than 25% on an annual basis. And some who have rehabilitated older units for such combination motor fuel operations report ROIs of 40% or greater.

Stores Vs. Pumpers

The typical fuel stop represents a much larger investment than a multipump C-store or self-serve pumper, say several marketers, but the potential payout is far greater.

Truman Arnold, the large Texas-based independent, says it now costs him $350,000 to build one of his Road Runner salaried super-size C-stores. He estimates a large self-serve pumper with just a

kiosk-type store will cost a minimum of $300,000 now.

If rack-to-retail gasoline margins are 6¢ gal. and the margins on store sales are 35%, Arnold projects a multipump store's gross profit will be $22,750 per month if it pumps 175,000 gal. of gasoline and sells $35,000 "inside." After deducting $15,000 for monthly operating expenses, he winds up with a net profit of $7,750 per month or $93,000 per year.

A self-serve pumper with a 200,000 gal. a month volume on a similar 6¢ gal. rack-to-retail margin will gross $12,000 from gasoline. If its "mini-store" sells $10,000 of convenience items on a 20% margin, it grosses another $2,000 or a total $14,000 per month.

But minimum operating expenses for such a pumper, Arnold figures, will run $12,000 a month now. This leaves it with a net profit before taxes of just $2,000 per month or $24,000 a year.

Arnold says the annual ROI on a pre-tax basis for such a store is plus-25% but only 8% for the pumper.

A "rehab" fuel stop that pumps 400,000 gal. on a 6¢ margin and has store sales of $35,000, meanwhile, can show a pre-tax net profit of $195,000. If the investment in it is $500,000, the ROI is 39%.

Cash Flow Bonanza

But the ultra high gallonage of the fuel stops has attractions in addition to the actual sales revenues. As some point out, a high-volume fuel stop clearly illustrates why large volumes are always more important to fast-moving gasoline marketers than high margins.

There may be no retail endeavor that can match the cash-flow potential of a high-volume motor fuel outlet.

A source points out that one of the new fuel stops might easily move 25,000 gal. a day or 750,000 gal. a month. If the average cost of fuel to the station is $1 per gal., it is turning over a $25,000 fuel inventory each day.

Some suppliers still allow a distributor 15 days to pay for his fuel purchases, this source says. A distributor with such an arrangement has free use of his supplier's money for 14 days. All of this builds up to a total of $350,000 of "surplus" cash at such volume figures.

In addition, the high-volume fuel stop marketer enjoys the same 25-day grace period, in most states, that other marketers have before transferring tax collections to the government. If total taxes are 12¢ gal., he accumulates $3,000 daily and soon has another nest egg of $75,000.

His total now is $425,000 of surplus cash. Subtract this from the $700,000 investment in such an outlet, this marketer says, and the actual total investment is only $275,000.

Or, to look at it another way, the $425,000 invested at 20% interest will return $85,000 a year. The pre-tax net income, including proper management of the daily cash flow, from such a unit can easily hit $250,000 a year.

Lowest Margins Yet

Many gasoline marketers thought that the self-serve pumpers and multipump C-stores of the 1970s took margins to rock bottom. But some of the large independents building their very expensive fuel stops now base their projections on still lower margins.

Although rack-to-retail margins are lower in some gasoline markets, most seem to have settled out at a minimum of about 6¢ gal. from rack costs.

The fuel stop marketers figure they can drop down to 3¢ or 4¢ to achieve their gallonage objectives.

So far, the fuel stops are being built primarily on interstate highway locations because truckers are their main customer targets. But where one does go in near a self-serve pumper and, say, a multipumper C-store, the economics would seem to favor the fuel stop, the store and the pumper, in that order.

The fuel stop, if it achieves its gallonage goal, can sell on a 4¢ margin and gross its $28,000 on fuel sales per month. The multipump C-store, selling 175,000 gal. or one-fourth as much fuel on a 6¢ margin, will gross $10,500. But if each also has $35,000 a month in "inside" sales at a 35% markup, that's another $12,250. So, the fuel stop winds up with a monthly gross profit of $40,250 and the store has a total of $22,750.

If the self-serve pumper sells 200,000 gal. of gasoline on a 6¢ margin, it grosses $12,000 a month. If it sells $10,000 in other items on a 20% markup, this adds another $2,000 to the gross profit, or a total of $14,000.

The fuel stop and multipump C-store people figure the self-serve pumper, in effect, is being squeezed out.

Bloody Fights Ahead

Marketers who are building the fuel stops admit they are high-risk investments. Just spending $700,000 or so on a retail outlet doesn't guarantee it will move 700,000 gal. a month.

But reports so far indicate most such

Typical ground-up 'fuel stops' will move 700,000 gal. of diesel and gasoline a month. They'll achieve another $35,000 in store sales. Gross income can be $40,000 a month and more. Two such units, operating under 'Ecol' and 'Road Runner' private brands (below), wage war near Little Rock.

units are highly successful.

Ken Pritchard of Jackson, Miss., seems to be the leader among large superjobbers building such facilities at present. He has a number of his "Ecol" branded units in Mississippi, Louisiana, Arkansas and Texas and is continuing to expand. There are reports that he recently had plans to build 15 more.

R. R. (Bob) Morrison of Vicksburg, Miss., is another jobber who reports good success with such units. Ray Colson of Little Rock has one; Tom Love of Oklahoma City will soon open his first in Amarillo, Tex.; Tom Patton of Atlanta has one in Sikeston, Mo., and Truman Arnold of Texarkana has several and is building more.

One of the more interesting confrontations may take place soon near Shreveport, La., on I-20.

Ken Pritchard several months ago put in one of his Ecol units west of Shreveport near a huge Union Oil conventional truckstop. There are reports that it has been pumping more than 1-million gal. a month, drawing other large independents like a magnet to observe the layout.

Now, it's said, Jack Cardwell of El Paso, Tex., is putting one of his "Petro" stops in near both. Observers anticipate some lively price activity, indeed, as all three units compete for business.

Arnold and Pritchard have been having a little skirmish in Little Rock, too, where an Ecol unit and a Road Runner are a short distance apart.

Marketers investing in the fuel stops expect competitive conditions to heat up as more and more of the units are built. From most reports, however, construction activity is proceeding at a furious pace.

There are reports that Delta Marketing of Nashville, Tenn., however, may be slowing up some.

Delta, according to some sources, probably started the self-serve diesel trend with its "Red Ace" units and now has eight or more. A commercial realtor in Ohio reports that Delta recently cancelled plans to build three units in that state on prime locations.

The realtor said he was told that the company is slowing down on some of its building plans due to the recent acquisition of another company.

The marketing vice president of a medium-size refiner-supplier, meanwhile, says the fuel stop concept has him terribly excited.

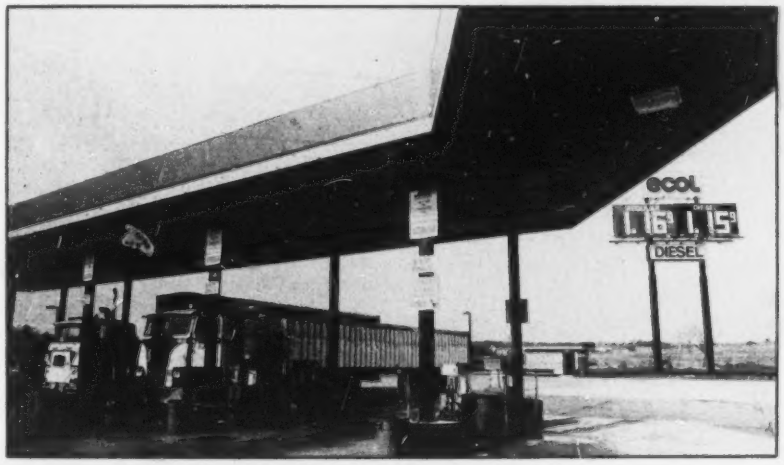
"We've got 34 good interstate locations," he says. "I'm dying to try one."

But while refiners have the cash to invest in the big units, many could have problems attempting to copy the independents. Almost all of the units at present are salary-operated and have tie-ins with C-stores, at least. Larger companies often find both direct-retail and food-store operations difficult to handle.

Some joint ventures between refiners and the independents are developing. American Petrofina and Willis Reed, a Fina jobber in Beaumont, Tex., formed a new company and built a huge new unit in that city [NPN—Feb. '81, p47]. Reed owns 51% and Fina, 49%, of this venture. Other, similar partnerships are rumored.

It seems a safe bet that suppliers will become progressively interested in the fuel stops as reports continue to circulate about their high volumes. **NPN**

The Spartan but functional layout of Ken Pritchard's 'Ecol' units, which pump upwards of 1-million gal. a month, has been getting close observation from other large independents.



A Comparison of Multipump C-Stores, Pumpers, and Fuel Stops

	Salaried Super-Store	Margin	Self-Serve Pumper	Margin	'Rehab' Fuel Stop	Margin	New Fuel Stop	Margin
Sales								
Gallonage	175,000		200,000		400,000		700,000	
SOLO*	$35,000		$10,000		$35,000		$35,000	
Gross Profit								
Gallonage	10,500	6.0	12,000	6.0	24,000	6.0	28,000	4.0
SOLO	12,250	35%	2,000	20%	12,250	35%	12,250	35%
Total Gross Profit	22,750		14,000		36,250		40,250	
Operating Expense	15,000	8.5	12,000	6.0	20,000	5.0	25,000	3.57
Net Profit								
Monthly	7,750	4.4	2,000	1.0	16,250	4.0	15,250	2.17
Annual	93,000		24,000		195,000		183,000	
Net Gallonage Cost		1.6		5.0		2.0		1.83
Investment								
Land	150,000		150,000		150,000		200,000	
Building & Equipment	200,000		150,000		325,000		500,000	
Total	350,000		300,000		475,000		700,000	
Annual R.O.I. (Pre-Tax)	25+%		8%		40%		26+%	

*Sales other than Light Oils. Source: Truman Arnold.